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9 July 1959

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CENTRAL INTELLIGENCE BULLETIN



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State Dept., JCS reviews completed

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9 July 1959

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DAILY BRIEF

I. THE COMMUNIST BLOC

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Watch Committee conclusion--Berlin: No significant indications bearing on the possibility of hostilities. [redacted]

DK
Communist China: While losses sustained in China's early season floods have not been catastrophic--less than 5 percent of the early rice crop has been lost--Peiping continues to give heavy play to the threat of further floods. The marked attention being given the subject probably represents an effort on the regime's part to explain away current shortcomings in its farm programs and to hedge against a likely failure to reach its highly inflated 1959 crop goals. [redacted]

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II. ASIA-AFRICA

NO
 Watch Committee conclusion--Middle East: Situations susceptible of direct exploitation by Sino-Soviet bloc action which would jeopardize US interests exist, particularly in Iraq and Iran.

The initiation of significant hostilities is unlikely in the immediate future.

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HO
France-Tunisia: De Gaulle is said to have informed Tunis that regardless of international opinion France will not give up its Bizerte base. The French Embassy in Tunis indicates it will do its best to make continued French possession of the base politically palatable to the Tunisians. The officials in charge of the Tunisian Government while President Bourguiba is vacationing in Italy are said to have "reacted violently" at first but to have displayed at their next meeting with the French a greater willingness than previously to press toward conclusion of a provisional agreement on the base in talks which have been in progress since May.

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Morocco-France: Recently improved French-Moroccan relations may suffer from the financial problem confronting Rabat in connection with its establishment on 1 July of a national bank in place of a French-controlled institution. As a result of related French financial moves, Morocco's foreign trade is now nearly at a standstill, and some Moroccan officials have threatened to leave the franc zone.

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OK
Nepal: Prime Minister Koirala's new government and Nepal's first popularly elected lower house of parliament which took office on 1 July under the new constitution are expected to provide a period of relative stability. Koirala's cabinet is actively engaged in drawing up an economic development program stressing "impact" projects and probably will accept aid from the bloc as well as the West.

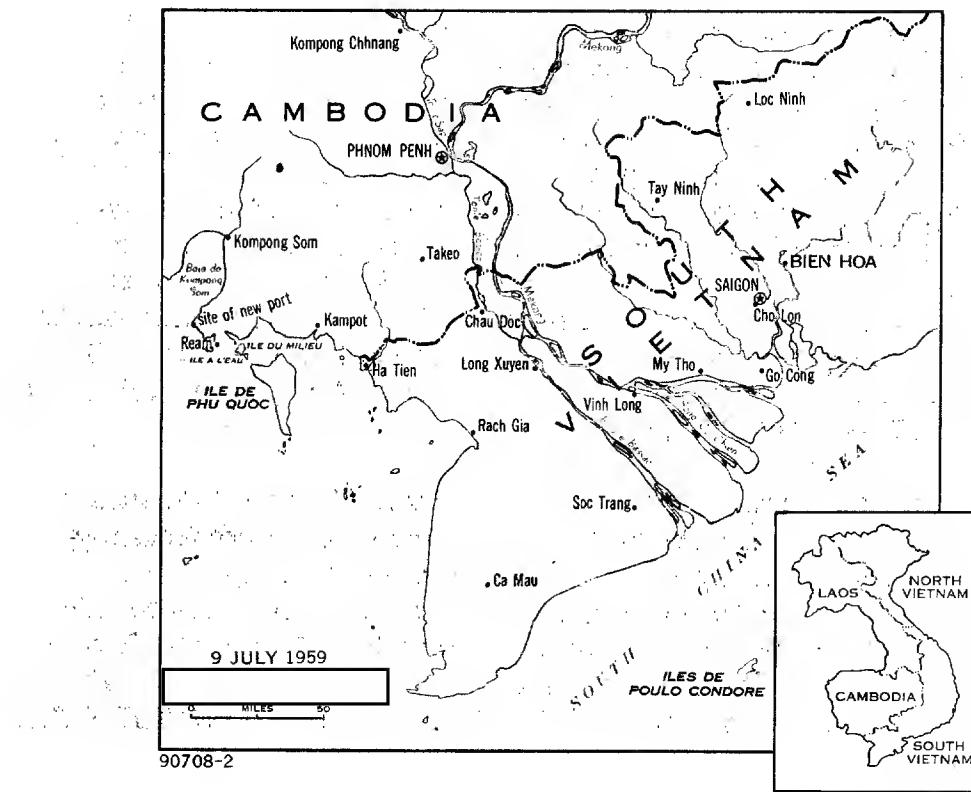
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III. THE WEST

Cuba: Fidel Castro recently told an associate that he had decided to relinquish the office of prime minister and to assume the direction of the agrarian reform program, [redacted]

[redacted] Castro would, however, remain the controlling figure in Cuba. He is convinced that agrarian reform is basic to his entire revolutionary program and if he feels it needs his personal direction, he may well resign the top cabinet post. [redacted]

Britain - West Indies: Trinidad's anti-US Premier Eric Williams is stepping up his campaign for revision of the 1941 US-UK Caribbean base agreement. London is seeking to placate Williams and is inclined to include him in any revision conference held with the United States. Williams' ultimate aim is to force the US from its naval base at Chaguaramas. He has warned that the people are excited and that there could be spontaneous demonstrations against the base. [redacted]

LATE ITEM

HJ
*South Vietnam: In the first incident of violence against American personnel since October 1957, two American military advisers were killed and one wounded at Bien Hoa on 8 July. The assailants, numbering five to ten, presumably Vietnamese Communists, used automatic fire and grenades in an attack on the messhall of a MAAG detachment. Earlier this year, the government launched a major security sweep in this general area against a Communist force of several hundred. President Diem recently expressed concern that the Communist underground was planning a new phase of violence and requested American assistance to cope with it. [redacted]

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Peiping Continues to Exaggerate News of Floods

Flood waters in South China are subsiding, although a local storm dumped an additional eight inches of rain on eastern Kwangtung and southern Fukien from 5 to 7 July. The area hardest hit during the recent floods was the East River area of Kwangtung Province; the Pearl River delta and Canton were spared serious flooding. Losses due to the early floods will probably run to something less than 5 percent of China's early rice crop. The entire early rice crop, in turn, normally accounts for only about one fourth of total annual rice output, or about 10 percent of total annual grain production.

The Peiping regime has been using the Kwangtung floods as an object lesson for the people in the major river valleys to the north of what might happen if the necessary flood-prevention measures are not taken. It is giving a considerable amount of attention to the organization of flood-prevention teams, to the gathering of flood-fighting materials such as stone, timber, and sandbags in easily accessible places, and to the inspection and repair of the all-important dikes. Such reporting is normal at this time of year when the major rivers are entering their high-water stage, but the volume of reporting this year appears greater than in the past few years.

The regime may be using these stories of real and threatened natural calamities to divert attention from continuing and embarrassing food shortages, to explain away shortcomings in its farm programs, and to hedge against a likely failure to reach fantastically inflated 1959 crop goals or, perhaps, even to match last year's good harvest.

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II. ASIA-AFRICA

Financial Crisis Threatens French-Moroccan Relations

The Moroccan financial crisis growing out of the establishment on 1 July of a Moroccan national bank of issue in place of a French-controlled institution could seriously disturb Rabat's relations with Paris--which in recent months have been relatively good. This might delay or at least complicate the meeting between King Mohamed V and French President de Gaulle which has long been projected and now appears set for early August.

The crisis stems largely from Morocco's refusal, because of nationalistic pressure, to agree to a ceiling on its future withdrawals from the franc zone's foreign currency pool. In the absence of such a commitment by Morocco--for which the French reportedly pressed daily since mid-June--France suspended Morocco's access to the fund when the new bank came into being.

Rabat, in an effort to conserve its meager foreign exchange holdings, immediately prohibited all transfers of capital outside Morocco. Developments since then have thrown the Moroccan business and commercial world into confusion, virtually paralyzed Morocco's foreign trade, and provoked some Rabat officials to threaten Morocco's withdrawal from the franc zone.

Meanwhile, the free market rate for the Moroccan franc fell sharply during the first days of July as a result of a further decline in public confidence. Devaluation of Morocco's currency--which for domestic political reasons did not occur when the French franc was devalued last winter--now may be imminent.

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Situation in Nepal

The final procedural steps necessary for the establishment of a popularly elected government in Nepal are now being taken. The constitution promulgated by the King in February took effect on 30 June and the members of Nepal's first elected lower house of parliament were sworn in on 1 July. Prime Minister B. P. Koirala's temporary cabinet formally resigned at the same time and was immediately reconstituted, apparently with the same personnel--three of whom were promoted from deputy minister to minister. The final step of establishing the senate will soon be completed and both houses of parliament may convene by 15 July.

Koirala's new government, which is expected to pursue moderate socialist, neutralist policies, is apparently prepared to undertake its tasks with vigor and is already reported drawing up an economic development program stressing "impact" projects designed to gain it mass support. Indian Prime Minister Nehru's visit to Nepal from 11 to 14 June is said to have cleared the air between New Delhi and Katmandu, and Koirala has indicated his intention of cooperating with both India and the West. Though his government is committed to accept Soviet economic aid, Koirala has intimated that he intends to go slow in utilizing it. He will be under increasingly heavy pressure from the Communist world, however, as a Soviet embassy is to open in Katmandu soon and the Chinese Communists may press for the same privilege. The United States will also open a mission shortly.

Koirala's main difficulty is likely to be not with his cabinet but with the King, who dislikes Koirala and will probably attempt to curb him if his popularity appears to threaten royal prerogatives. This could lead to considerable friction and create further instability in the country. The King has well-entrenched conservative elements supporting him, while Koirala has the mandate of the people as expressed in the recent national elections.

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Fidel Castro May Resign as Prime Minister to Direct
Agrarian Reform

Fidel Castro recently told an associate that he had decided to relinquish the office of prime minister and to assume direction of the agrarian reform program, [redacted]

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[redacted] Castro is convinced that agrarian reform--a major cause of opposition to his regime--is basic to his entire program. If he feels it needs his full-time personal direction, he may indeed resign as premier. He has been harassed by a heavy workload as prime minister and has shown extreme sensitivity to the growing criticism he has encountered in that office. Even if he resigns, his personal prestige is such that he would remain for a time at least the controlling figure in Cuba.

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[redacted] Castro has chosen his successor, and that the new prime minister - designate--whose name he did not reveal--has accepted on the condition that he be permitted at the outset to make a strong anti-Communist declaration. This is consistent with the rising concern among many Cubans over Communist activity, but there is no indication that Castro is yet prepared to endorse an effective anti-Communist campaign.

Meanwhile, Castro continues determined to oust the Trujillo regime in the Dominican Republic. He now realizes, [redacted]

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[redacted] that Trujillo is too strong for a successful frontal assault, so he is preparing to launch an invasion of Haiti by Haitian exiles and Cubans. Castro's intention would be to establish a revolutionary government in Haiti that would cooperate with Cuban efforts to oust Trujillo. A Cuban-backed attack on Haiti, however, would probably provoke Trujillo's intervention in support of the Haitian regime. [redacted]

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Pressure in Trinidad for Revising US-British Agreement on
West Indies Base

[Trinidad's anti-US premier, Eric Williams, is stepping up his campaign for revision of the 1941 American-British agreement which gives the United States rent-free use of Caribbean bases--notably the naval station at Chaguaramas, Trinidad--for 99 years. Williams is promoting a conference of representatives from the United States, Britain, the West Indies Federation government, and the Trinidad government to consider revision and is publicly attacking the federation's prime minister, Sir Grantley Adams, because of Adams' request that the Macmillan government arrange a meeting with United States, British, and West Indies federal government officials, but without separate representation for Trinidad.]

[Williams insists that Chaguaramas be the site for the capital of the year-old federation and has rejected US assurances that the military need for Chaguaramas will be reconsidered about

1968.]

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25X1 [London is convinced that talks on revising the base agreement must be held soon because nationalist sentiment is rising and Williams may one day be West Indies prime minister. Britain is inclined to include him in any talks agreed to.]

[Williams will probably not long be satisfied with revision of the agreement since his ultimate aim is to force the United States from Chaguaramas. He must show some progress in this direction before September or run the risk that federal politicians will choose another site for the capital. Since he has apparently decided to stake his prestige on the issue, Williams may well choose to fortify his position by calling general elections if his demands are not met.)]

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